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ABSTRACT

This report provides financial data on the value of obligations of any supplemental pension plans and the annual cost of any post-employment benefits for employees of state universities, colleges, and community colleges in Oklahoma. Attachment 1 summarizes information on supplemental pension plans that have been reported by state system institutions for the fiscal year (FY) ending June 30, 1997. Fifteen institutions reported having a supplemental plan, while 10 reported no information on any supplemental plan. This attachment also reports the amount of funding that seven institutions have reserved to meet their future obligations. Total supplemental pension obligations as of June 30, 1997, included $1,368,000 for the University of Oklahoma and Cameron University, $8,770,817 for Board of Regents of Oklahoma A&M Colleges, and $13,562,825 for the Board of Regents of Oklahoma Colleges. Attachment 2 summarizes the costs that 15 institutions have incurred in FY 1997 for post-employment benefits other than pensions. These benefits included the cost of medical and/or life insurance for retired employees and amounted to $2,238,395 during FY 1997. (MDM)

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SYSTEMWIDE REPORT ON VALUE OF SUPPLEMENTAL PENSION OBLIGATIONS *AND* COST OF POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

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Oklahoma State Regents for Higher Education
State Capitol, Oklahoma City

January, 1998

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OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

Systemwide Report on Value of Supplemental Pension Obligations and
Cost of Post-Employment Benefits Other Than Pensions
for the Fiscal Year Ending June 30, 1997

Pursuant to 70 O.S. 1991, Section 17-116.7, institutions in the Oklahoma State System of Higher Education are required to disclose information in their annual financial statements concerning: (1) the value of obligations of any supplemental pension plans and (2) the annual cost of any post-employment benefits other than pensions. The statute requires that this information be disclosed in accordance with appropriate accounting standards. It also requires that information reported by state system institutions be summarized by the Oklahoma State Regents for Higher Education into a systemwide report for submission to the Governor, the Speaker of the House of Representatives and the President Pro Tempore of the Senate. This is the seventh systemwide report that has been prepared. Attachments I and II, respectively, are summaries of the information disclosed by institutions in their FY1997 annual financial reports pertaining to the value of supplemental pension obligations and to the costs of post-employment benefits other than pensions.

REQUIREMENTS OF ACCOUNTING STANDARDS

Accounting standards for local and state government reporting entities, including public colleges and universities, are established by the Governmental Accounting Standards Board (GASB), the standards setting authority for all public bodies. The two accounting standards pertinent to this statute are: (1) GASB Statement No. 5, Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Governmental Employers; and (2) GASB Statement No. 12, Disclosure of Information on Post-employment Benefits Other

Than Pension Benefits by State and Local Government Employers. GASB Statement No. 5 was effective for financial reports beginning with the fiscal year ending June 30, 1990. The effect of this standard is to require public colleges and universities to disclose by footnote to the financial statements the existence of any supplemental pension plans including the actuarial valuation and funding status of pension obligations. GASB Statement No. 12 was effective beginning with the fiscal year ending June 30, 1991. The effect of this standard is to require disclosure in a similar manner of the annual cost of post-employment benefits other than pensions.

Attachment I summarizes information on supplemental pension plans that have been reported by state system institutions for the fiscal year ending June 30, 1997. Fifteen (15) institutions reported having a supplemental pension plan. Ten (10) institutions reported no information on any supplemental pension plans. The information reported does not include pension obligations of the Oklahoma Teachers Retirement System (OTRS) on behalf of college and university personnel. The provisions of supplemental pension plans vary between institutions offering such plans, but typically involve assuring a minimum retirement benefit for an employee based on pay and years of service. An institution's obligations under a supplemental pension plan usually involves paying the difference between the minimum retirement benefit and the combined benefits paid from OTRS, Social Security and any other funded pension plan. Attachment I also reports the amount of funding that seven institutions have reserved to meet their future obligations.

Attachment II summarizes the costs that fifteen institutions had incurred in FY1997 for post-employment benefits other than pensions. The types of post-employment benefits

reported consisted of the costs of health and life insurance that were paid by the institutions on behalf of their retirees.

SUPPLEMENTAL PENSION OBLIGATIONS - GASB 5

Total supplemental pension obligations required to be reported by GASB Statement No. 5 is described as the present value of pension benefits, adjusted for the effects of projected salary and annuity increases, estimated to be payable in the future. Supplemental pension obligations reported are to be determined as part of an actuarial valuation as of June 30, 1997, and are to include separate valuations for retired employees, and where applicable, for current employees. The systemwide actuarial assumptions use in the 1997 valuations were the same as those used in the 1996 valuations. These are included with Attachment I. The valuations also include changes made to the Oklahoma Teachers Retirement Systems benefit formula as a result of legislation enacted in the 1992, 1995 and 1996 legislative sessions.

Highlights of the information reported in Attachment I include:

1. As of June 30, 1997, supplemental pension obligations were reported by 15 institutions and amounted to $24,163,728. Approximately 81% of the total obligations reported are attributable to retired employees or to individuals who are not current employees but are vested in the supplemental pension plan.

2. Supplemental pension plans reported by 7 of the 15 institutions include no obligations related to current employees.

3. Assets have been set aside funds at 7 institutions to meet all or a portion of their future pension obligations.

It is important to understand that the amounts reported are actuarially derived and based on assumptions which may not materialize. The valuations, however, provide a basis for understanding the potential magnitude of an institution's future liability. The ultimate

actual liability, obviously, could be more or less given the reasonableness of the assumptions used.

POST-EMPLOYMENT BENEFITS - GASB 12

Fifteen (15) institutions reported information in FY1997 relating to costs of post-employment benefits other than pensions. These benefits covered the cost of medical and/or life insurance for retired employees. A summary of the highlights from Attachment II include:

1. Total systemwide cost of post-employment benefits amounted to $2,238,395 during FY1997. Of this amount, $2,164,735 was expended by 10 institutions for medical insurance benefits. The remainder, $73,660, was expended by 11 institutions for life insurance benefits.

2. One institution accounted for about 69% of the total systemwide cost. Ten (10) institutions did not report any costs relating to post-employment benefits.

ATTACHMENT I

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

Systemwide Report on
Value of Supplemental Pension Obligations
As of June 30, 1997

Institution	Supplemental Pension Obligations as of June 30, 1997			Net Assets Available for Benefits 6/30/97
	Retirees/ Vested Participants	Current Employees	Total	
Board of Regents of the University of Oklahoma and Cameron University				
Norman Campus:				
Supplemental Retirement Plan	$1,161,000	$0	$1,161,000	$0
Total - Norman Campus	1,161,000	0	1,161,000	0
Health Sciences Center:				
Supplemental Retirement Plan	24,000	0	24,000	0
Total Health Science Center	24,000	0	24,000	0
Total - University of Oklahoma	$1,185,000	$0	$1,185,000	$0
Cameron University				
Supplemental Retirement Plan	183,000	0	183,000	0
Total Board of Regents of the University of Oklahoma and Cameron University	$1,368,000	$0	$1,368,000	$0
Board of Regents Oklahoma A&M Colleges				
Oklahoma State University				
Supplemental and Early Retirement Plans	7,590,817	0	7,590,817	0
Langston University				
Supplemental Retirement Plan	102,000	383,000	485,000	0
Panhandle State University				
Supplemental Retirement Plan	191,000	0	191,000	0
Northeastern Okla. A&M College				
Supplemental Retirement Plan	157,000	0	157,000	0
Connors State College				
Supplemental Retirement Plan	347,000	0	347,000	0
Total - Board of Regents of Oklahoma A&M Colleges	$8,387,817	$383,000	$8,770,817	$0

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Institution	Supplemental Pension Obligations as of June 30, 1997 Retirees/ Vested Participants	Current Employees	Total	Net Assets Available for Benefits 6/30/97
Board of Regents of Oklahoma Colleges				
University of Central Oklahoma				
Supplemental Retirement Plan	4,082,192	848,882	4,931,074	2,630,364
East Central University				
Supplemental Retirement Plan	1,103,581	446,649	1,550,230	532,229
Northeastern State University				
Supplemental Retirement Plan	2,202,063	475,255	2,677,318	2,382,876
Northwestern Okla. State Univ.				
Supplemental Retirement Plan	102,031	402,553	504,584	207,741
Southeastern Oklahoma State				
Supplemental Retirement Plan	1,860,521	179,380	2,039,901	1,112,632
Southwestern Oklahoma State				
Supplemental Retirement Plan	1,596,218	263,500	1,859,718	1,592,225
Total - Board of Regents of Oklahoma Colleges	**$10,946,606**	**$2,616,219**	**$13,562,825**	**$8,458,067**
University of Science and Arts of Oklahoma				
None reported				
Rogers University				
None reported				
Carl Albert State College				
None reported				
Eastern Oklahoma State College				
Supplemental Retirement Plan	62,031	0	62,031	0
Murray State College				
None Reported				
Northern Oklahoma College				
None reported				
Oklahoma City Community College				
None reported				

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Redlands Community College
None reported

Institution	Supplemental Pension Obligations as of June 30, 1997 Retirees/ Vested Participants	Current Employees	Total	Net Assets Available for Benefits 6/30/97
Rose State College				
Supplemental Retirement Plan	0	0	0	0
Seminole State College				
None Reported				
Tulsa Community College				
Supplemental Retirement Plan	0	400,055	400,055	956,043
Western Oklahoma State College				
None reported				

STANDARD ACTUARIAL ASSUMPTIONS FOR CALCULATION OF SUPPLEMENTAL PENSION OBLIGATIONS AS OF JUNE 30, 1997

Pursuant to State Regents' Systemwide Policy for Disclosure of Pension Information and Postemployment Benefits Other Than Pensions, the following standard actuarial assumptions are to be used in calculating the value of supplemental pension obligations for use in disclosing information in annual financial reports for FY1997. The disclosure of information shall be made in accordance with requirements of Governmental Accounting Standards Board Statement No. 5, *Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Government Employers.* Actuarial valuations shall take into account the Oklahoma Teachers Retirement System new benefit formula as provided by legislation enacted during the 1992, 1995 and 1996 legislative sessions.

DISCOUNT RATE:
8.00 Percent (Indexed to Most Current Published Discount Rate Used by the Oklahoma Teachers Retirement System in its Actuarial Valuations)

RATE FOR PROJECTED EMPLOYEE SALARY INCREASES, IF APPLICABLE:
3.5 Percent, Including Inflation and Seniority/Merit

RATE FOR PROJECTED POSTEMPLOYMENT ANNUITY INCREASES, IF APPLICABLE:
3.5 Percent

DESIGNATED MORTALITY TABLE:
1983 Group Annuity for Males and Females

ASSUMED RETIREMENT AGE:
65 Years of Age

PRE-RETIREMENT WITHDRAWAL RATE:
T-3 Employee Turnover Table (See attachment)

ACTUARIAL FUNDING METHOD FOR COMPUTING CONTRIBUTION REQUIREMENT:
Projected Unit Cost Method

ACCUMULATION RATE FOR TIAA/CREF CONTRIBUTION, IF APPLICABLE:
Same Rate Used for Discount Rate

ANNUAL INCOME CONVERSION RATE FOR TIAA/CREF, IF APPLICABLE:
$7.10 per $1,000 of Accumulation

AMORTIZATION PERIOD FOR FUNDING OF PENSION OBLIGATION, IF APPLICABLE:
Not to Exceed 25 Years

BASIS FOR VALUATION OF PLAN ASSETS, IF APPLICABLE:
Market Value

T-3 EMPLOYEE TURNOVER TABLE
Rate of Employee Turnover

W(X)=Probability withdrawal at age X

AGE	W(X)
20	0.065775
21	0.062179
22	0.059081
23	0.056482
24	0.054379
25	0.052704
26	0.051387
27	0.050358
28	0.049547
29	0.048888
30	0.048312
31	0.047756
32	0.047165
33	0.046488
34	0.045687
35	0.044736
36	0.043629
37	0.042376
38	0.041036
39	0.039690
40	0.038412
41	0.037229
42	0.036139
43	0.035048
44	0.033784
45	0.032149
46	0.029962
47	0.027100
48	0.023544
49	0.019386
50	0.015245
51	0.011813
52	0.009082
53	0.006879
54	0.004987
55	0.003344
56	0.002074
57	0.001172
58	0.000538
59	0.000161
60 thru 65	0.000000

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

Systemwide Report on
Cost of Postemployment Benefits Other Than Pension
For Fiscal Year Ending June 30, 1997

Institution		Medical Insurance	LIfe Insurance	Total
University of Oklahoma - Norman		$1,220,000	$0	$1,220,000
University of Oklahoma - Health Sciences Center		329,000	0	329,000
Cameron University		0	2,250	2,250
Oklahoma State University	None reported			0
Langston University		0	882	882
Panhandle State University		0	679	679
Connors State College		0	454	454
Northeastern Oklahoma A&M College		0	1,898	1,898
University of Central Oklahoma		143,122	18,696	161,818
East Central University		70,000	8,100	78,100
Northeastern State University		112,114	19,500	131,614
Northwestern Oklahoma State Univ.		23,729	3,213	26,942
Southeastern Oklahoma State		116,788	4,866	121,654
Southwestern Oklahoma State		104,243	13,122	117,365
University of Science and Arts of Oklahoma	None reported			
Rogers University		10,279	0	10,279
Carl Albert State College	None reported			
Eastern Oklahoma State College	None reported			
Murray State College	None reported			
Northern Oklahoma College	None reported			
Oklahoma City Community College	None reported			
Redlands Community College	None reported			
Rose State College		20,460		20,460
Seminole State College		15,000	0	15,000
Tulsa Community College	None reported			0
Western Oklahoma State College	None reported			0
				0
Total		**$2,164,735**	**$73,660**	**$2,238,395**

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